

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: ETRD, EAGR, TD

SUBJ: SUGAR: THE VIEW FROM TRINIDAD

REF: (A) MEXICO 10464 (B) BRIDGETOWN 2113

SUMMARY

TWO KEY INDUSTRY OFFICIALS RECENTLY EMPHASIZED TRINIDAD'S INTEREST IN CONTINUED ACCESS TO, AND PERHAPS A GREATER SHARE OF, THE U.S. SUGAR MARKET, DESPITE TRINIDAD'S SUCCESS IN MAKING SMALL (12,000 TON) FORWARD SALES OF ITS 1975 CROP AT PRICES AS HIGH AS 636 POUNDS STERLING PER TON. THEY CONTRASTED THIS PRICE WITH A FIGURE OF 200 POUNDS WHICH THE U.K. REPORTEDLY OFFERED AS AN UNOFFICIAL "BALLPARK FIGURE" IN THE RECENT MEETINGS IN LONDON WITH THE AFRICAN, CARIBBEAN AND PACIFIC (ACP) SUGAR PRODUCERS, WHICH THE ACP NATIONS

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VIEWED AS "ENTIRELY UNACCEPTABLE." ONE OFFICIAL PREDICTED

THAT ABOUT ONE-HALF OF TRINIDAD'S ANTICIPATED 200,000 TON CROP WILL BE ALLOCATED TO THE U.S. MARKET, AND SAID THAT SALES OF THE 1975 WEST INDIES SUGAR CROP PROBABLY WILL BE NEGOTIATED SEPARATELY BY EACH GOVERNMENT, WITHOUT CONSULTING FORMER PARTNERS IN THE WEST INDIES SUGAR ASSOCIATION (WISA).
END SUMMARY.

1. PHILIP DE CARTERET, CHAIRMAN OF THE SUGAR MANUFACTURERS ASSOCIATION (SMA), MET WITH AGATT DECEMBER 16 FOR A TOUR D'HORIZON OF THE SUGAR SITUATION, WITH SPECIAL REFERENCE TO THE RECENT MEETING IN MEXICO CITY WHICH HE ATTENDED. DE CARTERET SAID THAT ALTHOUGH THE MEXICANS WERE THE HOSTS FOR THE MEETING OF THE WESTERN HEMISPHERE SUGAR PRODUCERS, THE CUBANS APPEARED TO BE THE FORCE BEHIND IT, AND WERE PARTICULARLY ANXIOUS TO EXCHANGE STATISTICAL AND OTHER INDUSTRY INFORMATION WITH OTHER COUNTRIES PRESENT. FOR EXAMPLE, THE CUBAN DELEGATE VOLUNTEERED THAT CUBA IS RECEIVING THE EQUIVALENT OF 260 POUNDS STERLING PER TON FOR SUGAR SALES IN EASTERN EUROPE, BUT POINTED OUT THAT THIS FIGURE IS DIFFICULT TO EQUATE TO WORLD MARKET PRICES SINCE IT IS TIED IN WITH BARTER ARRANGEMENTS. ACCORDING TO DE CARTERET, HIS IMPRESSION OF THE TONE OF THE MEETING WAS THAT THE PRODUCERS IN THE WESTERN HEMISPHERE SHOULD SEEK WAYS TO OBTAIN CONTINUED ACCESS TO--AND PERHAPS A GREATER SHARE OF--THE U.S. MARKET AT THE EXPENSE OF EASTERN HEMISPHERE PRODUCERS. THE UNDERLYING FEAR SEEMED TO BE THAT AUSTRALIA WOULD TEND TO SHIP MORE SUGAR TO THE U.S. AFTER THE TERMINATION OF COUNTRY QUOTAS ON DECEMBER 31. THE MEETING DID NOT RESULT IN ANY RESOLUTION WHEREBY THE PRODUCERS WOULD UNITE EITHER TO ESTABLISH PRICES OR TO DETERMINE EXPORT QUOTAS.

2. WHEN ASKED ABOUT THE SUGAR ASSOCIATES CORPORATION, INC. (SAC), WHICH IS TO BE ATTACHED TO SMA ON JANUARY 1 AS THE SUCCESSOR ORGANIZATION TO THE BRIDGETOWN-BASED WEST INDIES SUGAR ASSOCIATION, DE CARTERET CONFIRMED THAT THE ORGANIZATION WILL HAVE NO MARKETING FUNCTION. IN FACT, HE FORESEES 1975 WEST INDIES SUGAR SALES FOLLOWING MUCH THE SAME PATTERN OF LATTER 1974, WITH EACH PRODUCER GOVERNMENT NEGOTIATING SALES INDEPENDENT OF, AND WITHOUT CONSULTING WITH, ITS FORMER WISA PARTNERS. DE CARTERET PREDICTED THAT TRINIDAD AND OTHER LIMITED OFFICIAL USE

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WEST INDIES COUNTRIES WOULD CONTINUE TO ALLOCATE ABOUT HALF THEIR EXPORTABLE SUPPLIES IN 1975 TO THE U.S. HE SAID THIS WOULD SHOW THE ABILITY OF THE AREA TO SUPPLY THE U.S. MARKET, IN VIEW OF THE LIKELIHOOD THAT SUCH PERFORMANCE WILL BE CONSIDERED WHEN AND IF THE U.S. REINSTITUTES COUNTRY QUOTAS. DE CARTERET ALSO COMMENTED THAT IF QUOTAS ARE AGAIN SET FOR THE U.S. MARKET, IT WOULD BE PREFERABLE FOR EACH WEST INDIES COUNTRY TO HAVE A QUOTA RATHER THAN THE FORMER AREA QUOTA.

3. ALSO ON DECEMBER 16, FRANK BARSOTTI, CHAIRMAN OF CARONI LTD. (GOTT OWNED COMPLEX OF SUGAR PLANTATIONS AND REFINERIES) REPORTED PUBLICLY ABOUT THE RECENT MEETING IN LONDON BETWEEN THE U.K. AND THE ACP COUNTRIES. BARSOTTI SAID THAT U.K. MINAG PEART WAS UNWILLING TO DISCUSS SPECIFIC PRICE FIGURES, BUT THAT HIS STAFF INDICATED THAT THE U.K. WAS CONSIDERING A "BALLPARK FIGURE" OF 200 POUNDS PER TON, INCLUDING BOTH THE BASIC FLOOR PRICE AND A SUPPLEMENTARY SUM ASKED BY THE ACP COUNTRIES. THIS FIGURE WAS "ENTIRELY UNACCEPTABLE" TO THE PRODUCERS, AND BARSOTTI PRAISED JAMAICAN MINAG PATTERSON FOR HIS ROLE AS A SPOKESMAN FOR THE ACP GROUP.

4. ASKED ABOUT TRINIDAD'S FORTHCOMING CROP, BARSOTTI SAID THAT CARONI HOPES TO OBTAIN FROM 200,000 TO 220,000 TONS, BUT EMPHASIZED THAT THIS WILL ONLY BE POSSIBLE IF THE LABOR PROBLEMS TRADITIONALLY ENCOUNTERED AT THE BEGINNING OF THE CUTTING SEASON ARE ELIMINATED. ALTHOUGH BARSOTTI UNDERScoreD CARONI'S BELIEF THAT LONG-TERM MARKETING ARRANGEMENTS ARE IN TRINIDAD'S BEST INTEREST, HE SAID THAT CARONI HAS MADE TWO SMALL FUTURE SALES OF 12,000 TONS EACH, AND THAT THEY MIGHT DECIDE TO GO BACK INTO THE MARKET IF PRICES REBOUND. ACCORDING TO BARSOTTI, CARONI RECEIVED 587 POUNDS STERLING PER TON FOR ONE SALE, AND 636 POUNDS PER TON FOR THE OTHER. HE SAID THIS LATTER FIGURE WAS PROBABLY THE HIGHEST PRICE RECEIVED YET, AND THAT TRINIDAD HAD BEEN PRAISED FOR THIS SALE BY OTHER PRODUCERS IN LONDON. NOTING THAT THE PRICE HAS SINCE TUMBLED, BARSOTTI SAID HE EXPECTS THE PRICE OF SUGAR TO GO ABOVE 500 POUNDS PER TON WITH THE U.S. COMING INTO THE MARKET AND DUE TO ADVERSE WEATHER CONDITIONS FOR BEET GROWERS IN EUROPE.

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5. COMMENT: BOTH THE SMA AND CARONI HAVE COME UNDER CRITICISM RECENTLY FOR NOT ATTEMPTING TO SELL TRINIDAD'S ENTIRE CROP TO MANY INDIVIDUAL BUYERS AT RECORD PRICES. THE STATEMENTS BY DE CARTERET AND BARSOTTI COUNTER THIS CRITICISM AND INDICATE THAT THE GOTT WILL CONTINUE TO PUSH FOR ASSURED MARKETS OVER THE LONGER TERM. WE UNDERSTAND THAT THE TWO SALES OF 12,000 TONS WERE MADE THROUGH TATE AND LYLE (MINORITY SHAREHOLDER IN CARONI), BUT THE ULTIMATE BUYER HAS NOT BEEN MADE KNOWN.
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